

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

EL SALVADOR

**MODERNIZATION AND STRENGTHENING OF THE LEGISLATIVE
ASSEMBLY**

(ES-0093)

TECHNICAL COOPERATION LOAN PROPOSAL

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BASIC SOCIOECONOMIC DATA

The basic socioeconomic data for El Salvador are available on the Internet at the following address:

English:

[Http://www.iadb.org/int/sta/english/brptnet/brptframe_eng.htm](http://www.iadb.org/int/sta/english/brptnet/brptframe_eng.htm)

Spanish:

[Http://www.iadb.org/int/sta/spanish/brptnet/brptframe_eng.htm](http://www.iadb.org/int/sta/spanish/brptnet/brptframe_eng.htm)

ABBREVIATIONS

EU	European Union
GOES	Government of El Salvador
OC	ordinary capital
PTA	Principal Technical Advisor
TCU	Technical Coordination Unit
USAID	United States Agency for International Development

EL SALVADOR

Regional Support Services

REI/IRO

IDB LOANS

APPROVED AS OF JUNE 30, 1999

	<i>US\$Thousand</i>	<i>Percent</i>
<i>TOTAL APPROVED</i>	<i>2,490,130</i>	
<i>DISBURSED</i>	<i>1,862,573</i>	<i>74.8%</i>
<i>UNDISBURSED BALANCE</i>	<i>627,558</i>	<i>25.2%</i>
<i>CANCELLATIONS</i>	<i>180,057</i>	<i>7.2%</i>
<i>PRINCIPAL COLLECTED</i>	<i>595,876</i>	<i>23.9%</i>
<i>APPROVED BY FUND</i>		
<i>ORDINARY CAPITAL</i>	<i>1,605,528</i>	<i>64.5%</i>
<i>FUND FOR SPECIAL OPERATIONS</i>	<i>749,546</i>	<i>30.1%</i>
<i>OTHER FUNDS</i>	<i>134,306</i>	<i>5.4%</i>
<i>OUTSTANDING DEBT BALANCE</i>	<i>1,266,697</i>	
<i>ORDINARY CAPITAL</i>	<i>663,891</i>	<i>52.4%</i>
<i>FUND FOR SPECIAL OPERATIONS</i>	<i>589,211</i>	<i>46.5%</i>
<i>OTHER FUNDS</i>	<i>13,595</i>	<i>1.1%</i>
<i>APPROVED BY SECTOR</i>		
<i>AGRICULTURE AND FISHERY</i>	<i>175,496</i>	<i>7.0%</i>
<i>INDUSTRY, TOURISM, SCIENCE TECHNOLOGY</i>	<i>134,784</i>	<i>5.4%</i>
<i>ENERGY</i>	<i>463,234</i>	<i>18.6%</i>
<i>TRANSPORTATION AND COMMUNICATIONS</i>	<i>436,775</i>	<i>17.5%</i>
<i>EDUCATION</i>	<i>206,907</i>	<i>8.3%</i>
<i>HEALTH AND SANITATION</i>	<i>347,875</i>	<i>14.0%</i>
<i>ENVIRONMENT</i>	<i>30,000</i>	<i>1.2%</i>
<i>URBAN DEVELOPMENT</i>	<i>31,208</i>	<i>1.3%</i>
<i>SOCIAL INVESTMENT AND MICROENTERPRISE</i>	<i>205,352</i>	<i>8.2%</i>
<i>REFORM PUBLIC SECTOR MODERNIZATION</i>	<i>260,993</i>	<i>10.5%</i>
<i>EXPORT FINANCING</i>	<i>79,823</i>	<i>3.2%</i>
<i>PREINVESTMENT AND OTHER</i>	<i>117,681</i>	<i>4.7%</i>

** Net of cancellations with monetary adjustments and export financing loan collections.*

EL SALVADOR

REGIONAL SUPPORT SERVICES

ITC/IRO

TENTATIVE LENDING PROGRAM

		US\$ Millions	
1999			
ES0115	LOAN CT: FINANCIAL SECTOR SUPPORT PROGR.,	3.8	APPROVED
ES0113	TC:CLOSING ACCOUNT MODERNIZ. & STRENGTH	4.0	
ES0093	LEGISLATIVE BRANCH MODERNIZATION	5.0	
ES0074	DECONTAMINATION OF CRITICAL AREAS	45.0	
	TOTAL A	57.8	
ES0121	FINANCIAL SECTOR SUPPORT PROGRAM	100.0	
	TOTAL B	100.0	
	TOTAL 1999	157.8	
2000			
ES0119	AGRICULTURAL MODERNIZATION PROGRAM	10.0	
ES0120	LOCAL DEVELOPMENT PROGRAM II	10.0	
ES0114	TECHNOLOGICAL KNOWLEDGE DEVELOPMENT	6.0	
ES0087	HOUSING PROGRAM	80.0	
ES0117	COSTAL CONSERVATION AND MANAGEMENT	30.0	
ES0116	PEACEFUL COEXISTENCE AND CIVIL SECURITY	30.0	
ES0118	SAN SALVADOR MUNICIPAL. MODERNIZATION	6.0	
ES0124	LOCAL GOVERMENT STRENGTHENING	30.0	
	TOTAL A	202.0	
	TOTAL 2000	202.0	



EL SALVADOR

STATUS OF ACTIVE LOANS AS JUNE 30, 1999

(Amounts in US\$ thousands)

APPROVAL, PERIOD	NUMBER OF PROJECTS	AMOUNT APPROVED	AMOUNT' DISBURSED	% DISBURSED
Before 1993	5	134,408	109,565	81.52%
1993 - 1994	3	500,000	269,178	53.84%
1995 - 1996	4	109,210	47,995	43.95%
1997 - 1998	6	312,605	3,672	1.17%
1999	1	3,802	0	0.00%
TOTAL	19	\$1,060,025	\$430,410	40.60%

* Net of Cancellations . Excluding **export** financing loans.

MODERNIZATION AND STRENGTHENING OF THE LEGISLATIVE ASSEMBLY
(ES-0093)

EXECUTIVE SUMMARY

Borrower:	Republic of El Salvador	
Executing agency:	Legislative Assembly of El Salvador	
Amount and source:	IDB: (OC)	US\$3,546,000
	Local:	US\$ <u>886,000</u>
	Total:	US\$4,432,000
Financial terms and conditions:	Amortization period:	25 years
	Disbursement period:	4 years
	Interest rate:	variable
	Credit fee:	0.75% annually on undisbursed balances
	Inspection and supervision:	1% of loan amount
	Currency:	U.S. dollars – Single Currency Facility
Objectives:	The general objective of the project is to make the Legislative Assembly more efficient, effective and transparent with respect to the functions of legislation, political supervision and representation assigned to it by the Constitution.	
Description:	To achieve the above objectives, the project has been designed to include the following components:	

Strengthening of the Legislature (US\$1.6 million)

This component includes the total revision and subsequent implementation of the internal regulations of the Legislative Assembly, incorporating a Code of Ethics for legislators and officials and debate guidelines to govern the plenary sessions and commissions; preparation of a manual of legislative procedure; support for the preparation of a political parties bill; creation and regulation of a Special Technical Advisory Services Fund; and introduction of a system of automatic vote recording and counting tied to the legislative information system.

Administrative strengthening (US\$900,000)

Diagnostic assessment, design and implementation of a new organizational structure; preparation of a contracting and procurement manual; support for the design and implementation of an office to handle requests from the public made through the Legislative Assembly; and the creation of a Coordination Technical Unit to handle project execution.

Information technology (US\$2 million)

Design of a five-year master plan; adoption of a legislative information system that includes, among other things, monitoring the process of making and adopting laws; purchase of an integrated, flexible, easily upgradable modular system, to integrate and consolidate administrative, operational and financial processes; implementation of a local communications network; connecting regional offices with the Legislative Assembly; an Internet web site to allow civil society and the public to be properly informed of the Assembly's activities; design of a database of consultants to be used by the Special Technical Advisory Services Fund; purchase of programs and equipment to strengthen the offices in charge of legislative, administrative and financial operations, human resources and the Systems Unit; and design and execution of a training program for officials and Deputies

Environmental and social review:

The project has no social or environmental impact and therefore no special action in this regard is necessary.

Benefits:

The benefits of the project will be reflected in the quality of the legislative output and improved performance of the functions of the Legislative Assembly.

Risks:

The principal risks that could occur relate to: (i) timing of elections (three years), which could have a negative impact on the final objectives and on loan execution; (ii) the components could acquire permanent qualities and may be jeopardized when the Bank's funding ends.

The Bank's country and sector strategy:

The main focus of the Bank's strategy for the country, is to redefine its financing and technical cooperation support, placing less emphasis on providing large amounts of financial resources **and more on institutional reform and technical cooperation**, less on rehabilitating infrastructure **and more on supporting an improvement in government services and restructuring of public sector capacity to implement programs**. The proposed operation is

consistent with the mandate of the Eighth General Increase in Resources, which supports programs aimed at modernization of the State and strengthening of civil society. The proposed operation focuses specifically on the strategic areas of institutional strengthening and human resources development through technical assistance, training and development.

Poverty-targeting and social sector classification:

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth General Increase in Resources (document AB-1704).

Exceptions to Bank policy:

None.

Procurement of goods, works and consulting services:

International competitive bidding will be required for the procurement of goods having a value exceeding US\$250,000, and an international notice will be necessary for consulting services over US\$200,000. The program does not provide for the execution of works.

Special contractual clauses:

In addition to the standard contractual conditions, the following conditions precedent to the first disbursement will be included:

- i) Creation of the Technical Coordination Unit and appointment of its members (paragraph 3.6).
- ii) Approval (by the Bank and the Steering Committee of the Legislative Assembly) of the regulations that will govern the operation of the Special Technical Advisory Services Fund (paragraph 3.2, iv).
- iii) Notwithstanding the special conditions precedent to the first disbursement, upon satisfaction of the conditions set forth in Article 4.01(a), (b) and (e) of the general conditions of the loan contract, the Bank may make special disbursements of up to US\$100,000 to finance the services of the principal technical advisor and initiate the project's activities.

I. BACKGROUND

A. Overview

- 1.1 The Peace Accords signed in January 1992, in addition to having ended the armed conflict, gave rise to the processes of democratization and modernization of the Salvadorian State. Since then, there have been constitutional and political reforms aimed at establishing a state in which the rule of law prevails. The most significant reforms have involved the Armed Forces (their subordination to civilian authority and staff reduction), public safety (elimination of the National Guard and Treasury Police and creation of the National Civil Police), the Judicial Branch (new arrangements with respect to the appointment and term of Supreme Court Justices), the Public Ministry (creation of the Attorney General's Office for the Protection of Human Rights) and the electoral system, as well as other issues of an economic and social nature.
- 1.2 The Salvadorian authorities are developing an economic plan to deepen structural reforms and consolidate macroeconomic stability as a means of facilitating the country's taking its place in the world economy. The core objective of this plan is to achieve equitable development that will help increase competition and attract national and foreign investment. To do this will require a reduction of the country's operating costs. The authorities promote an export economy, led by a strong private sector bolstered by a small but efficient public sector of the role of facilitator of private sector activities.
- 1.3 The above proposals require that structural changes be made within the Executive, Legislative and Judicial Branches of the State. For that reason, the function, scale and procedure of State operations should be redefined. The government has already made some important advances in this reform process, especially with respect to the Executive and Judicial Branches (See Box 1):

B. Executive Branch

- 1.4 Continuing the process of reform initiated under the Cristiani administration, the new authorities have defined its public sector modernization program, which includes: *the institutional restructuring of the public sector; modernization of the Tax Administration, including the General Directorate of Customs Revenue; the contracting and procurement system; the modernization of human resources management; and the privatization of services provided by the public sector, and promotion of private sector participation in this area.* Progress has been made in each of these components. The efforts of the Government of El Salvador (GOES) are being supported by the Bank (technical cooperation loan for the modernization of the Tax Administration, 941/OC-ES and 980/SF-ES, public sector modernization program, ES-0036, and the World Bank (TAL, *public sector modernization*, 6839-ES).

C. Judicial Branch

- 1.5 The program for modernization of the Judicial Branch was initiated over a decade ago. With the support of USAID, two principal programs were executed: Judicial Reform Program I, whose objective was to improve the legal, administrative and technical performance of justice administration, and Judicial Reform Program II, which included institutional strengthening and organizational development, systems of administration, management and public communication, training and legal reforms. Lastly, to supplement these reforms, the Bank approved (on March 13, 1996) the Program to Strengthen the Justice System in El Salvador (919/OC-ES and 920/OC-ES) which includes three components: legal reform (support for the implementation of current legal reforms, legislation in commercial and administrative areas), improvement of the justice system for minors (upgrading the infrastructure of existing centers for minors, establishment of three regional agencies of the Instituto Salvadoreño de Protección al Menor [Institute for the Protection of Minors], construction of lock-up facilities, strengthening of prevention and social reintegration programs), and planning and organization of the justice system. The loan is in execution and progressing satisfactorily.

Box 1: Advances in the public sector modernization process: (i) adoption in November 1995 of the **Financial Administration Act**, aimed at regulating and coordinating public sector financial management and establishing the Integrated Financial Administration System which includes the budget, treasury, public debt and government accounting subsystems; (ii) adoption of the **Official Audit Office Act**, whose main feature is the elimination of the ex ante audit; (iii) Legislative Decree 471, **Law on Temporary Remuneration for Services Rendered in the Public Sector**, whereby approximately 14,000 public sector jobs were cut; (iv) adoption of the **regulatory framework for the Telecommunications Law**; (v) adoption of the law establishing the regulatory framework for the electrical sector; (vi) preparation of a **civil service bill**; and (vii) design of the new public sector macrostructure.

D. Legislative Assembly

- 1.6 As part of the democratization process, a pluralistic Legislative Assembly was established in which all sectors of Salvadorian society are represented (See Box 2). The Assembly initiated a reform program in August 1990, through the *Agreement for Strengthening of the Legislative Assembly* (USAID-519-0360, US\$1.85 million). Its main objective was to strengthen the Assembly's capacity to participate in public and political debate (internally and with other State institutions) with analytical and reasoned arguments. The program supported the Assembly with respect to (a) technical assistance services; (b) services to the electorate; and (c) infrastructure. The project, in the opinion of the Deputies and according to the evaluation by USAID (PN-ABS-549-1996), was successful.
- 1.7 One of the most significant achievements was the creation of a Technical Committee (consisting of a delegate from each of the parties represented in the Assembly), to act as a counterpart of the USAID team. USAID has scheduled a

total of US\$2 million for the next three years (1999-2001) to continue the strengthening of the Legislative Assembly.

- 1.8 **Project evaluation.** The evaluation team concluded that the project fulfilled its objectives. The seminars and workshops conducted, the opportunities offered to the legislators to see other legislatures in action, the provision of teaching materials and equipment, and the improvements in the infrastructure and staff of the Legislative Assembly have led to improvements among Salvadorian legislators in the following areas: performance of their functions, legislative process, and relationships with the Judicial and Executive Branches.

- 1.9 During the Bank's identification mission (October 19 to 24, 1998), it was noted that, despite the achievements up to that time, more progress was needed with respect to the modernization process, basically in the following areas: (i) strengthening of legislative and administrative functions and human resources; (ii) communication with civil society, and (iii) computer systems (hardware and software).

- 1.10 **Lessons learned.** Even though the objectives were attained, some difficulties were encountered in the

course of project execution, primarily: (1) Persuading the majority party as to the benefits of sharing power with other groups. (2) Some resources were underused, particularly the library and the computers. (3) High turnover among the specialists hired for the project, which consequently created tension with the permanent staff of the Legislative Assembly. (4) Bills continue to originate exclusively in the

Box 2. Legislative Assembly. The current Assembly was created by the Constitution of 1983, which recognized the Assembly as the highest State authority and was given such duties as adopting, interpreting and amending laws, determining taxes and approving the national budget, electing the President and other members of the Supreme Court of Justice, and declaring war. The Assembly is *unicameral*, composed of 84 members (representatives of the 14 departments and 20 at large) elected for three years.

Internal organization

Plenary. There are three types of plenary sessions of the Legislature: ordinary, extraordinary and formal. Ordinary sessions are held during the legislative period that begins in May and must be held at least once a week. Extraordinary sessions are convened by the Executive Branch on the day and at the time stipulated by it, and formal sessions are determined by the Steering Committee to hear specific issues. A simple majority of its members is sufficient to legally convene the meeting (Article 123).

Steering Committee. In accordance with the rules of procedure, the Steering Committee consists of a president, 4 vice presidents and 7 secretaries, who are appointed for their three-year term (Articles 6 and 7).

Commissions. There are two types of commissions: permanent and special.

Permanent. To review matters within the purview of the Assembly, 14 commissions have been created: Legislative and Constitutional Affairs, Political, Foreign Relations and Central American Integration, Justice and Human Rights, Culture and Education, Public Works, the Interior and Public Security, the Treasury and Special Budget, the Economy and Agriculture, Defense, Municipal Issues, Environmental Protection and Public Health, Family, Women and Children, and Labor and Social Security.

Special Commissions. These are appointed by the Assembly to investigate matters of national interest and submit the corresponding reports and recommendations (Articles 52-55, rules of procedure).

Parliamentary Factions. Each party represented in Congress has its own faction. These factions are represented within the **Political Commission**, which is the highest ranking coordinating body of political-partisan coordination and negotiation in the Congress.

Administrative Organization. The administrative structure is in the Steering Committee hierarchy and has three managing offices: legislative operations, administrative and financial operations and human resources. Other offices under Steering Committee Jurisdiction are the Systems Unit, internal auditing, external auditing, legal unit, press relations, communications and protocol.

Executive Branch, supervision and revision are weak, and the approved legislation must, on occasion, be amended as a result of the lack of experience of the legislators, and the absence of technical advisory support for the legislative function.

- 1.11 In general terms, the execution of the USAID project benefited the country as it was rebuilding its democratic system. The project was effective in that it provided the Legislative Assembly with the basic minimum elements for its operation and for its relations with and legitimacy vis-à-vis civil society, laying the foundations for the Bank's support. The operation proposed herein would complement the activities implemented by USAID and would raise the Assembly's level of professionalism. This would be achieved by restructuring its organization, strengthening its capacity to initiate legislation and provide a technical response to bills presented by the Executive Branch, reorganizing and rationalizing expenditures on parliamentary technical advisory services, and providing support in the form of appropriate technological tools.
- 1.12 On May 2, 1997, after legislative elections in March of that year marked a new, more competitive political correlation among the parties in the Legislative Assembly, parliamentary factions announced to the public a 1997-2000 Protocol of Direction for the Legislature. In this document, the Deputies promised, among other things, that the Steering Committee and its President "will, through a participatory process, promote the modernization of operations and contribute to the internal democratization of the Legislative Assembly, with reforms to its rules of procedure, assuring the collegiate nature of the Steering Committee, and developing transparency in the duties of the Legislative Assembly and efficiency in the administration of its assets."
- 1.13 In Section 2 of said Protocol, the Deputies announced their intent to promote openness and access to various sectors of society, to consultation and serious study of the proposed laws and citizen petitions. Section 8 states that "staff appointments in the various management levels will be based on the criteria of ability, professionalism and nonpartisanship."
- 1.14 After July 1, 1998, the Steering Committee, in an effort to design the modernization process, adopted a working document called Proposed Master Plan for Modernization of the Legislative Assembly. This document establishes that the modernization of the Assembly is a fundamental part of State political reform and that the Deputies of the Legislative Assembly have proposed a progressive, comprehensive, permanent and far-reaching transformation of the Legislative Branch, which would allow greater participation in the law-making process and considerably enhance the quality of the legislative output.
- 1.15 Also on that date, the Steering Committee decided to convert the Technical Committee into a Modernization Commission, giving it a higher rank and

transforming it into the body responsible for implementing the Master Modernization Plan. The Commission, which will be a permanent collegiate body and advisor to the Steering Committee, will be headed by the President of the Steering Committee of the Legislative Assembly, and will also consist of representatives of each of the political parties in the Assembly. The Modernization Commission, in all matters involving its operations, will be responsible for maintaining a dialogue with international institutions and entities.

- 1.16 The objectives set forth in the Master Plan are: (i) achieve greater efficiency and effectiveness in terms of the work performed by the Legislative Assembly, (ii) improve the Assembly's independence and transparency; and (iii) increase the public's participation in the consolidation of democracy. The plan has the following principal components: public participation, technical assistance, administrative strengthening, legislative strengthening, education and training, information technology, infrastructure and equipment.
- 1.17 The European Union is formulating a project in support of the Assembly, aimed at strengthening legislative capacity. The participation of various international institutions in the modernization of the Legislative Assembly (the IDB, USAID and the EU) led the Modernization Commission to draw up a matrix which identifies the different program components and the agency responsible for financing each one. The matrix has been studied and the financing of the different components of the modernization program has been coordinated by the financing institutions. The guidelines for future funding have also been established.
- 1.18 The Salvadorian political process has made the Legislative Assembly the favored arena for negotiation among the political parties and mediation between the parties and society. Notwithstanding the advances noted, the institutional weakness of the Legislative Assembly makes it difficult to fully perform these functions. The capacity to debate, negotiate and promote consensus is often affected by weaknesses in technical support, information, management and analysis that limit the effective performance of legislative duties, supervision, oversight and representation, while, at the same time, causing problems of institutional credibility and stability in the newly-formed democratic political system.

E. The Bank's Strategy

- 1.19 The main focus of the Bank's strategy for the country, is to redefine its financing and technical cooperation support, placing less emphasis on providing large amounts of financial resources **and more on institutional reform and technical cooperation**, less on rehabilitating infrastructure and **more on supporting an improvement in government services and restructuring of public sector capacity to implement programs**.

- 1.20 The proposed operation is consistent with the mandate of the Eighth General Increase in Resources, which supports programs aimed at the modernization of the State and the strengthening of civil society. The proposed operation specifically focuses on the strategic areas of institutional strengthening and human resources development through technical assistance, training and development. In addition, the project, whose objectives and activities are described below, adequately covers the requirements for modernization of the Legislative Assembly based on the diagnostic assessment made by the Bank's identification mission and other participating organizations (the EU and USAID), and complies with the objectives of the Proposed Master Modernization Plan approved by the Steering Committee of the Assembly.

II. OBJECTIVE

- 2.1 The general objective of the project is to make the activities of the Legislative Assembly more efficient, effective and transparent with respect to the functions of legislation, political supervision and representation assigned to it by the Constitution.
- 2.2 More specifically, it seeks to achieve the following:
- (i) support the strengthening of the legislature with the creation of a Special Technical Advisory Services Fund; thorough review and revision of the rules of procedure (including a Code of Ethics and debate guidelines); preparation of a manual of legislative procedures; and the drafting of a political parties bill.
 - (ii) support the strengthening of the administrative function by carrying out an organizational diagnosis and subsequent implementation; revision of manuals and changes in the human resources strategy.
 - (iii) prepare and implement an information technology master plan to support the legislative and administrative functions and decentralization of the Assembly.

III. DESCRIPTION

- 3.1 To achieve the above objectives, a project for the institutional strengthening of the Assembly has been designed to include the following components:
- A. Strengthening of the Legislature (US\$1.2 million)**
- 3.2 Because of its importance to the lawmaking process and to the transparency and improvement of the quality of the legislative output, this component is the principal

element of the entire modernization process of the Legislative Assembly. It includes the following:

- (i) Total revision and subsequent implementation of the rules of procedure of the Legislative Assembly. This revision aims to modernize the Legislative Assembly's control in expanding its activities and must include, among other aspects, the political agreements made by the faction chiefs to regulate the operations of the Assembly, commissions and parliamentary factions in all aspects not included in the prior rules of procedure, particularly the consultations with sectors involved in the creation of the new legislation. The rules of procedure will also include a Code of Ethics for lawmakers and officials and debate guidelines to regulate the conduct of the plenary sessions and commissions.
- (ii) Preparation of a manual of legislative procedures that will systematize the process of creating, approving and updating laws. These processes, which will be covered in the manual, should have a computerized support system that will make information concerning the legislative process with respect to the commissions and plenary sessions readily open and accessible.
- (iii) Support for the preparation of a political parties bill whose objective will be to encourage member participation within each of the parties while strengthening the role they must fulfill of citizen representation and mediation.
- (iv) Creation and regulation of a Special Technical Advisory Services Fund (see paragraph 3.10) to: (1) organize and rationalize expenditures for parliamentary technical advisory services; and (2) strengthen the legislative capacity of the commissions, parliamentary factions and Deputies through the financing of studies and activities to provide technical support for the legislative process.
- (v) Implementation of a system of automatic vote counting and recording tied to the legislative information system so as to facilitate and give ready access to the manner in which the lawmaker's intent was expressed in the decision-making process.

B. Administrative strengthening (US\$1 million)

- 3.3 The Legislative Assembly is in the process of expanding its functions and therefore, based on an organizational diagnosis viewed in the medium-term, will require changes in its structure, procedures and human resources. The following areas will be involved:

- (i) Diagnosis, design and implementation of the organizational structure. Currently, the top administrative authorities of the Assembly are the managers of legislative operations, administrative/financial operations and human resources, who are under the authority of the Steering Committee. The diagnosis must contain a proposal for the creation of a general management office to be the top administrative figure of the Legislative Assembly, allowing the Steering Committee to supervise and direct the work of the managing offices, without being directly in charge of administration. The rest of the organizational structure will be designed and implemented on the basis of this diagnosis.
- (ii) Upgrade of the human resources management strategy; updating job descriptions; reviewing the rules for hiring and evaluation of staff. The reformulation of this strategy is necessary in order for the expansion of the Legislative Assembly's activities to be accompanied by the disciplined and technically adequate growth of its human resources.
- (iii) Preparation of a contracting and procurement manual.
- (iv) Support for the design and implementation of an office to handle requests from the public made through the Legislative Assembly. Currently, these requests pass directly to the plenary Legislative Assembly, causing a back-up of work and preventing adequate follow-up of the requests it receives. The creation of this office will seek to provide a solution to the above two problems.
- (v) Creation of a Technical Executing Unit in charge of project execution, consisting of a general coordinator, managers of legislative and administrative/financial operations and human resources, the Systems Unit and Principal Technical Advisor (international), support personnel and procurements.

C. Information technology (US\$1.2 million)

3.4 The information technology component seeks to strengthen the legislative, administrative and financial functions, and human resources, while promoting transparency of the activities of the legislative body, allowing civil society and the public to be informed of legislative activities through its Internet web site. To that end, it includes:

- (i) Design of a five-year master plan providing for the computer needs and training of the Legislative Assembly in legislative and administrative functions, in its relations with civil society and of the Systems Unit.
- (ii) Adoption of a legislative information system that includes, among other things, monitoring of the making and adoption of laws.

- (iii) Purchase of an integrated, flexible, easily upgradable modular system for the integration and consolidation of administrative, operational and financial processes (for example, administration of fixed assets, procurements, budget monitoring, human resources, accounting).
- (iv) Implementation of a local communications network to contribute to communication and transparency in institutional operations, allow the introduction of new technologies to support the institution's work and encourage intra-institutional collaboration.
- (v) Connection of the regional offices of the Deputies with the Legislative Assembly. This decentralization process will narrow the gap between the services and activities of the Assembly and of the Deputies of all the regions of the country.
- (vi) Presence of the Legislative Assembly on the Internet that will permit (a) the public to know about the institution's activities, (b) open access to the legal process and to the activities of the deputies, and (c) connection with other legislative assemblies.
- (vii) Design of a database of consultants to be used by the Special Technical Advisory Services Fund.
- (viii) Purchase of equipment and programs to support the offices in charge of legislative, administrative and financial operations, and human resources and the Systems Unit.
- (ix) Design and execution of a training program for officials and Deputies, based on the needs resulting from the various program components.

D. Organization and execution

3.5 **Organization.** The executing agency will be the Legislative Assembly. **Steering Committee.** The Steering Committee, at the suggestion of the Modernization Commission, will appoint the general project coordinator and the members of the Technical Coordination Unit. **Modernization Commission.** The Modernization Commission, consisting of a representative from each parliamentary faction, will propose to the Steering Committee the appointment of one of its members as general project coordinator, and the appointment of members of the Technical Coordination Unit. **General Coordinator.** The General Coordinator will be assisted by the Principal Technical Advisor and represent the Modernization Commission in all actions relating to project execution. **Technical Coordination Unit (TCU).** The TCU will consist of:

- General Coordinator
- Manager of Administrative Operations

- Human Resources Manager
 - Administrative/Financial Manager
 - Systems Unit
 - Principal Technical Advisor
 - Purchasing specialist
 - Assistant
 - Two secretaries
- 3.6 ***The configuration of the Technical Coordination Unit and the appointment of its members by the Steering Committee of the Assembly will be a condition precedent to the first disbursement under the program.***
- 3.7 **Execution.** The General Coordinator will be responsible for approving and consolidating the work plans of each member of the Technical Coordination Unit and for regularly evaluating the progress of project execution. Each member of the Technical Coordination Unit will prepare an annual plan of action for the project, which will contain:
- (i) the activities to be carried out,
 - (ii) time required for each activity,
 - (iii) consulting requirements and terms of reference for such consultations,
 - (iv) intermediate and final targets with evaluation indicators. Each of the officials mentioned will appoint a person to be in charge of coordinating the program in his or her respective area.
- 3.8 **Principal Technical Advisor (PTA).** ***The PTA will be an international consultant hired for the entire project period.*** He or she will be responsible for, among other things, assisting the Modernization Commission in satisfying the conditions precedent to the first disbursement and in establishing the Technical Coordination Unit. For the first year, the PTA must perform his or her duties on a full-time basis, and if appropriate, with the Bank's consent, reduce his or her work hours with a corresponding budget adjustment.
- 3.9 **Annual evaluation.** In order to determine whether adjustments need to be made in the project execution mechanism, annual external and independent evaluations of said mechanism will be conducted. The PTA will prepare the respective terms of reference and present them to the Bank for approval within the first six months of project execution. Whenever these evaluations recommend adjustments in the execution mechanism, the Assembly and the Bank, if they approve them, will adopt the necessary measures to implement them.
- 3.10 **Use of resources of the Technical Advisory Services Fund.** The use of resources from the Fund, which will require approval by the Modernization Commission, will be subject to fulfillment of criteria and guidelines to be established in its operating regulations. These regulations will include the following, as a minimum: (i) all the studies and activities to be financed must be included in the current legislative agenda; (ii) priority will be given to the studies and activities associated with bills

that pave the way for the design and/or implementation of projects related to State reform and the strengthening of civil society; (iii) a maximum amount will be established that the Modernization Commission may approve without prior approval from the Bank; (iv) the requirements and basic information to be contained in each application for resources from the Fund will be identified; and (v) the mechanisms for oversight and control of the activities financed will be identified.

- 3.11 **Financial sustainability of the Fund.** Initially, the Fund will be established with resources from organizations that support modernization of the Legislative Assembly (IDB, USAID, EU) and the Assembly's budget. The final annual evaluation of the project execution mechanism will contain specific recommendations on the financial sustainability of the Fund. For this purpose, the Assembly will: (i) include the resources necessary to maintain the Fund in its budget; and (ii) decide on maintaining the institutional currency of the Fund's operating regulations. *The approval, by the Steering Committee of the Legislative Assembly and by the Bank, of the regulations governing the operations of the Fund will be a condition precedent to the first disbursement of the loan.*

E. Procurement of goods, works and consulting services

- 3.12 The procurement of goods, works and consulting services will be in accordance with the procurement policies and procedures set forth in Annexes B and C of the loan contract. International competitive bidding will be required for the procurement of goods valued in excess of US\$250,000, and an international notice will be necessary for consulting services over US\$200,000. These limits are justified due to the fact that, on similar projects, international bidders have participated in tender calls above such limits. For procurements involving amounts below the limits mentioned, national laws will apply. Annex I shows the procurement plan for the project.

F. Poverty reduction and social classification

- 3.13 This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth General Increase in Resources (document AB-1704). Nor does this project qualify as a poverty-targeted investment (PTI).

G. Execution period and disbursement schedule

- 3.14 The proposed period for project execution and loan disbursement is three years. The tentative disbursement schedule is shown below:

Table III
Disbursement Schedule
(in thousands of US\$)

SOURCE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
IDB/OC	600	1,100	1,000	574	3,274
Counterpart	140	140	141	140	561
TOTAL	740	1,240	1,141	714	3,835
%	19.3	32.3	29.8	18.6	100.0

H. Monitoring

- 3.15 Aside from the functions of the Country Office in El Salvador and the reports required by the Bank, the project team will directly participate in the mid-term and final evaluations (see paragraph 5.1). It will also participate in all inspection and/or support visits required by the executing agency and/or the Country Office in El Salvador.

I. Accounting and auditing

- 3.16 The Modernization Commission of the Legislative Assembly will establish and maintain adequate books and records in accordance with established accounting practices. Such records will be audited upon the close of each fiscal year by a qualified independent auditing firm, acceptable to the Bank. The costs of the audit have been included as part of the financing.

J. Expected results

- 3.17 **Strengthening of the Legislature.** (i) rules of procedure of the Legislative Assembly that will contain the Code of Ethics and debate guidelines are approved; (ii) manual of legislative procedures that will organize the law-making process in the commissions and the plenary sessions and render it more transparent is introduced; (iii) the political parties bill is prepared; (iv) the Special Technical Advisory Services Fund with its respective regulations is in operation; (v) system of automatic vote counting is implemented.
- 3.18 **Administrative strengthening:** (i) new organizational structure is introduced; (ii) updated human resources strategy is adopted; (iii) rules for hiring and evaluation of personnel are implemented; (iv) contracting and procurements manual is introduced; (v) office for handling public requests is designed.
- 3.19 **Information technology:** (i) master five-year information technology plan is prepared; (ii) system of legislative information is implemented; (iii) integrated system (administrative, operational and financial processes) is implemented; (iv) Internet presence is established; (v) the representatives' regional offices are connected; (vi) hardware in the specified areas is in operation; (vii) users of the new technologies are trained.

- 3.20 In addition, during execution, the Assembly and the project team will develop internal performance indicators, particularly on the entity's responsiveness and efficiency in carrying out internal legislative procedures and formalities.

K. Costs and financing

- 3.21 Financing costs are estimated to be US\$4.43 million. Funding by the Bank will total US\$3.55 million to be financed with resources from the ordinary capital. The local counterpart will be US\$900,000. Table V below shows the project's consolidated budget:

Table V
CONSOLIDATED BUDGET BY COMPONENT
(in US\$000)

Budget category	IDB/OC	GOES	TOTAL	%
Strengthening of the Legislature	1,183.5		1,183.5	26.7
1. Consulting services	76.0			
2. Advisory Services Fund	1,100.0			
3. Training	7.5			
Administrative strengthening	457.0	561.0	1,018.0	23.0
1. Consulting services	405.0	561.0		
2. Equipment	52.0			
Information systems	1,160.0		1,160.0	26.2
1. Consultation services	117.0			
2. Equipment and software	1,043.0			
Project audit	50.0		50.0	1.2
Airfare and per diem allowance	121.5		121.5	2.7
1. Airfare	36.0			
2. Per diem allowance	85.5			
Contingencies	302.0		302.0	6.8
SUBTOTAL	3,274.0	561.0	3,835.0	
Financial costs				
1. Interest	234.0	270.0	504.0	11.4
2. Credit fee	0	55.0	55.0	1.2
3. FIV (1%)	38.0		38.0	0.8
GENERAL TOTAL:	3,546.0	886.0	4,432.0	
%	80	20	100	100

L. Special disbursement to initiate program activities

- 3.22 Notwithstanding the special conditions precedent to the first disbursement, once the conditions set forth in Article 4.01 (a), (b) and (e) of the general conditions of the

loan contract are satisfied, the Bank may make special disbursements of up to US\$100,000 to engage the services of the principal technical advisor and initiate project activities.

IV. BENEFITS AND RISKS

- 4.1 The principal risks that could occur relate to: (i) timing of elections (three years), which could have a negative impact on the final objectives and loan execution; and (ii) the components could acquire permanent qualities and may be jeopardized when the Bank's funding ends.
- 4.2 The benefits of the project will be reflected in the quality of the legislative output and improved performance, which will enhance the reputation of the Legislative Assembly in the public's view.

V. EVALUATION

- 5.1 In addition to the final evaluation, which will measure the attainment of the project objectives and the benefits obtained, a mid-term evaluation will be made when 50% of the resources have been committed.

**MODERNIZATION AND STRENGTHENING OF
THE LEGISLATIVE ASSEMBLY
(ES-0093)**

Procurement Plan

MAJOR PROCUREMENTS	FINANCING	TYPE	PREQUALIFICATION	PUBLIC NOTICE
Component 1. Strengthening of the Legislature US\$1.2 million - Individual contracts average: US\$8,000 - Equipment	100% IDB	DC	–	–
Component 2. Administrative strengthening US\$1 million - Individual contracts average: US\$85,000	50% IDB 50% GOES	ICB (*) DC	Yes	Yes Fourth quarter 1999
Component 3. Information technology. Equipment and software US\$1.2 million - Individual contracts average: US\$72,000 - Equipment	100% IDB	DC ICB (**)	Yes	Yes Fourth quarter 1999

(*) PTA = US\$360,000 – ICB

(**) ICB for purchase of software

Abbreviations

DC = Direct contracting

ICB = International competitive bidding